

Executive Summary

This is the report to the Governor, the Secretary of Administration and the Land and Water Conservation Board on the trading of water pollution credits. The report describes the progress and status of each pilot project in achieving water quality goals and coordinating state and local efforts to improve water quality through trading.

In 1997, the Legislature enacted Wisconsin Act 27 to provide regulated facilities an additional tool to achieve water quality.

The Department of Natural Resources is directed by s. 283.84 Wis. Stats., to "administer at least one pilot project to evaluate the trading of water pollution credits". Under this law, a permitted source of water pollution can discharge pollutants at levels above what would otherwise be authorized in the WPDES discharge permit, while another entity removes additional pollutants. This is allowed provided certain agreements are reached with the other discharger, the Department or other units of government.

Department staff have been meeting with a variety of stakeholders to address the issues associated with pollutant trading. Progress has been made on developing local participation, identification of sideboards as well as a framework for the trading process, evaluation of the costs and associated phosphorus loading reductions of best management practices, distribution of funding, and modification of existing permits that qualify for delays in the NR 217 Wis. Adm. Code compliance schedules for phosphorus removal. Currently, the program has identified three project areas for exploration of the issues associated with pollutant trading. They are, the Red Cedar River, the Fox-Wolf Basin, and the Rock River.

The **Red Cedar River Watershed** is in west central Wisconsin in the Lower Chippewa River Basin. Since 1994 the Red Cedar Steering Committee has explored new ways of managing the water resource in the watershed. This partnership group participated in a monitoring and modeling effort that is the basis for the development of a conceptual phosphorus management plan for the basin. They have also sponsored a lake monitor user survey to collect information on water quality and recreational suitability. The City of Cumberland is interested in pursuing phosphorus trading options to meet their permit requirements. They are actively pursuing contacts with local landowners with the assistance of the Barron County Land Conservation Department. The Village of Colfax, as a requirement of their application for an alternative effluent limit due to economic hardship, will be evaluating the feasibility of trading to meet their economic liability. The overall watershed goal is to remove enough phosphorus from the surface water to make a significant difference in the occurrence of algae blooms on the impoundments.

The **Fox-Wolf Drainage Basin** covers a large area in the northeast part of the state. A team, headed by Fox-Wolf Basin 2000, consists of partners from the public and private sector interested in the use of pollutant trading to address some of the water quality problems in the basin. The goal is to establish a pilot trade to determine how feasible or effective pollutant trading is in controlling phosphorus in the basin. A potential pollutant trading opportunity has been identified in the basin and funding to address particular issues related to trading has been collected by the partners. While phosphorus is still a pollutant of concern, many of the point source dischargers have already installed the necessary equipment to remove phosphorus down to a concentration of 1 mg/l. However, still greater reductions in phosphorus are needed to achieve the water quality that residents of the basin desire. Pollutant trading is a potential tool to use when identifying the most cost-effective means of achieving that goal.

The **Rock River Basin** is located in south central Wisconsin. Nutrient trading has been under discussion in this basin since 1996. The development of NR 217, Wis. Adm. Code, encouraged dischargers to look at a basin approach to phosphorus management. The Rock River Watershed Partnership was formed and has collected \$240,000 of a needed \$340,000 to implement a plan that called for a modeling and monitoring effort, development of a trading scheme, a literature review of best management practices (costs and effectiveness), and an analysis of instream results from implementing phosphorus management. The results of this work plan will allow the Department and the regulated community to make cost-effective decisions and targeted choices for when and where to pursue pollutant trading. Permits are being modified and reissued by the Department to place phosphorus limitations on hold until the results of the above work are available. This effort should result in trades in the year 2000.